

# Q1 2018 Conference Call

- > **Veeco Instruments Inc.**
- > **May 7, 2018**

# Safe Harbor

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To the extent that this presentation discusses expectations or otherwise makes statements about the future, such statements are forward-looking and are subject to a number of risks and uncertainties that could cause actual results to differ materially from the statements made.

These items include the risk factors discussed in the Business Description and Management's Discussion and Analysis sections of Veeco's Annual Report on Form 10-K for the year ended December 31, 2017 and subsequent Quarterly Reports on Form 10-Q and current reports on Form 8-K. Veeco does not undertake any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.



# CEO Introduction John Peeler

# Q1 2018 Highlights

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<b>Q1</b> <i>Results</i>	<b>\$155M</b> <i>Bookings</i>	<b>\$159M</b> <i>Revenue</i>	<b>\$11M</b> <i>Non-GAAP Op Income</i>	<b>20¢</b> <i>Non-GAAP EPS</i>
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- > Profit better than consensus and exceeded guided range
- > Maintained solid backlog of \$331M
- > Strong revenue growth
- > Ultratech integration – On Track

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2018 is off to a great start

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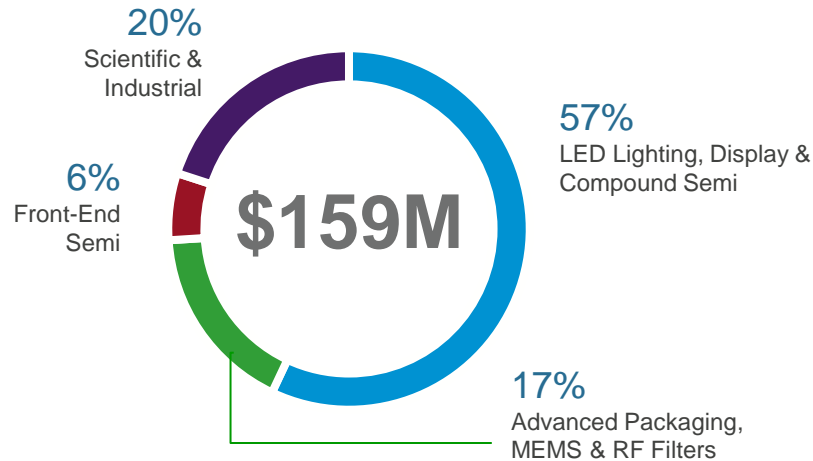
*Note: A reconciliation of GAAP to Non-GAAP financial measures may be found in Back-up & Reconciliation Tables*



# CFO Financial Review Sam Maheshwari

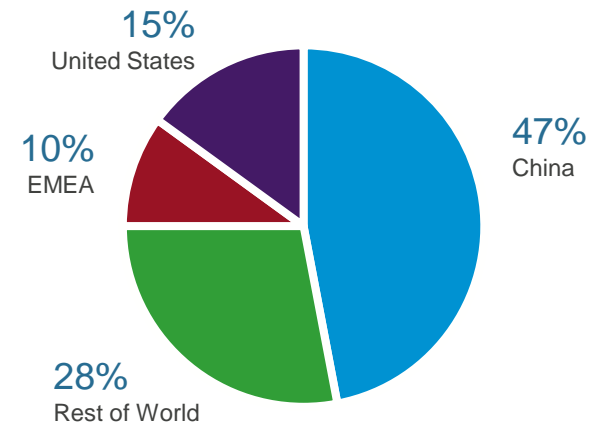
# Q1 2018 Revenue by End Market and Geography

## Mix by End Market



- > Revenue concentration in LED Lighting, Display & Compound Semi reflects strong 2018 opening MOCVD backlog

## Mix by Geography



- > ROW includes Photonics, RF Device and Advanced Packaging revenue in Taiwan, Korea and Japan

## Strong shipments to China

Note: Amounts may not calculate precisely due to rounding

# P&L Highlights

\$ millions (except per share amounts)	GAAP		Non-GAAP	
	Q4 17	Q1 18	Q4 17	Q1 18
Revenue	\$139.7	\$158.6	\$139.7	\$158.6
Gross Profit	55.4	56.7	56.5	57.8
Gross Margin	39.6%	35.7%	40.5%	36.5%
R&D	24.3	24.3	23.3	23.4
SG&A & Other	28.5	26.2	25.6	23.2
Operating Income/(Loss)	(15.0)	(11.4)	7.5	11.3
Net Income/(Loss)	(8.5)	(15.8)	6.2	9.2
Earnings/(Loss) Per Share	(\$0.18)	(\$0.34)	\$0.13	\$0.20

- > Solid revenue growth
- > Sequential gross margin decline due to product mix. Expect improvement in 2<sup>nd</sup> half.

Note: Amounts may not calculate precisely due to rounding. Prior period results have been recast to reflect the retrospective adoption of ASC 606. A reconciliation of GAAP to Non-GAAP financial measures is contained in the Back Up & Reconciliation Tables

# Balance Sheet Highlights

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\$ millions	Q4 17	Q1 18
Cash & Short-Term Investments	328	<b>311</b>
Accounts Receivable	99	<b>108</b>
Inventories	120	<b>131</b>
Accounts Payable	50	<b>58</b>
Long-Term Debt	276	<b>278</b>
Cash Flow from Operations	19	<b>(12)</b>
DSO (days)	62	<b>61</b>
DOI	130	<b>118</b>
DPO	54	<b>52</b>

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Working capital investment as we prepare for higher volume in Q2

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Note: Amounts may not calculate precisely due to rounding



# Q2 2018 Guidance

	GAAP	Non-GAAP
Revenue	\$145M–\$170M	\$145M–\$170M
Gross Margin	33%–35%	33%–35%
Net Income (Loss)	(\$21M)–(\$12M)	\$1M–\$10M
Earnings Per Share	(\$0.45)–(\$0.26)	\$0.01–\$0.20
Non-GAAP Operating Income		\$2M–\$11M



Note: A reconciliation of GAAP to Non-GAAP financial measures is contained in the Back Up & Reconciliation Tables



# Business Update & Outlook

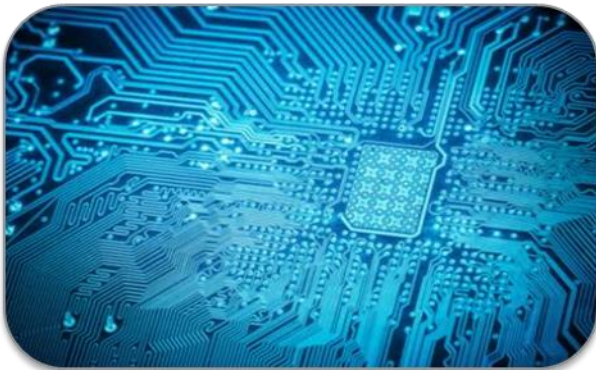
# Advanced Packaging, MEMS & RF Filters

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## Ample Growth Drivers

- » Big data analytics
- » Autonomous vehicles (ADAS)
- » 5G RF
- » Cryptocurrency mining (GPUs)



## Capacity is Being Added

- » Etching for MEMS applications
- » Lithography – FOWLP & Cu Pillar

**Applicable Technologies:** MOCVD | Lithography | Wet Etch/Clean | Laser Anneal | Ion Beam | MBE | 3D Inspection | ALD

# LED Lighting, Display & Compound Semi



## Recent Wins in Photonics and Power

- » Photonics market: 25% CAGR to \$1.5B by 2022
- » EXALOS – Superluminescent LEDs for medical imaging, optical sensing and other applications
- » Power market: 80% CAGR to \$500M by 2022
- » ON Semiconductor – High voltage power management for automotive and other applications



## Continue to Win Business in China

- » Booked additional EPIK<sup>®</sup> 868 business

## R&D Focused on Growth Markets

- » Photonics (VCSEL)
- » GaN power devices

Applicable Technologies: MOCVD | Lithography | Wet Etch/Clean | Laser Anneal | Ion Beam | MBE | 3D Inspection | ALD

VCSEL – Vertical Cavity Surface-Emitting Laser





## 3D Wafer Inspection

- » Repeat order for multiple Superfast™ systems for 3D NAND application
- » Continuing high level of interest and engagement across customers



## STT-MRAM

- » Partnership with leading semiconductor capital equipment manufacturer
- » DTOR at leading memory manufacturer

**Applicable Technologies:** MOCVD | Lithography | Wet Etch/Clean | Laser Anneal | Ion Beam | MBE | 3D Inspection | ALD

STT-MRAM – Spin-Transfer Torque Magnetic Random Access Memory  
DTOR – Development Tool of Record





## Continued Momentum in Optical Coatings

- » Robust Q1 bookings
- » Broad-based market demand including industrial lasers, medical imaging & material processing



## Compound Semiconductor Innovation Award

- » GENxcel™ R&D MBE system
- » Enabling leading edge research in compound semiconductor/photronics

**Applicable Technologies:** MOCVD | Lithography | Wet Etch/Clean | Laser Anneal | Ion Beam | MBE | 3D Inspection | ALD

# 2018 Priorities Update

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## **Delivering Growth – Diversifying Company**

*Significant revenue growth and solid bookings*

## **New Product Innovation**

*Underway in MOCVD, Lithography, Wet Etch, Optical, EUV*

## **Ultratech Integration**

*ERP Go-Live*

## **Operating Leverage**

*Solid Q1 results*

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On track to achieve our 2018 priorities

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Q&A





# Back Up & Reconciliation Tables

# Note on Reconciliation Tables

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These tables include financial measures adjusted for the impact of certain items; these financial measures are therefore not calculated in accordance with U.S. generally accepted accounting principles (“GAAP”). These Non-GAAP financial measures exclude items such as: share-based compensation expense; charges relating to restructuring initiatives; non-cash asset impairments; certain other non-operating gains and losses; and acquisition-related items such as transaction costs, non-cash amortization of acquired intangible assets, incremental transaction-related compensation, and certain integration costs.

These Non-GAAP financial measures may be different from Non-GAAP financial measures used by other companies. Non-GAAP financial measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. By excluding these items, Non-GAAP financial measures are intended to facilitate meaningful comparisons to historical operating results, competitors' operating results, and estimates made by securities analysts. Management is evaluated on key performance metrics including Non-GAAP Operating Income, which is used to determine management incentive compensation as well as to forecast future periods.

These Non-GAAP financial measures may be useful to investors in allowing for greater transparency of supplemental information used by management in its financial and operational decision-making. In addition, similar Non-GAAP financial measures have historically been reported to investors; the inclusion of comparable numbers provides consistency in financial reporting. Investors are encouraged to review the reconciliation of the Non-GAAP financial measures used in this news release to their most directly comparable GAAP financial measures.

# Supplemental Information—GAAP to Non-GAAP Reconciliation

In millions	Q4 17	Q1 18
Net Sales	\$139.7	\$158.6
GAAP Gross Profit	55.4	56.7
GAAP Gross Margin	39.6%	35.7%
Add: Release of inventory fair value step-up for purchase accounting	0.4	0.5
Add: Share-Based Comp	0.6	0.6
Add: Accelerated Depreciation	0.1	0.1
<b>Non-GAAP Gross Profit</b>	<b>\$56.5</b>	<b>\$57.8</b>
Non-GAAP Gross Margin	40.5%	36.5%

In millions	Q4 17	Q1 18
GAAP Net Income (Loss)	\$(8.5)	\$(15.8)
Add: Share-Based Comp	4.4	4.5
Add: Amortization	13.8	13.5
Add: Restructuring	2.1	2.5
Add: Acquisition Related	1.5	1.3
Add: Release of inventory fair value step-up for purchase accounting	0.4	0.5
Add: Depreciation of PP&E fair value step-up for purchase accounting	0.3	0.3
Add: Interest Expense	4.7	4.6
Subtract: Tax Benefit	(11.3)	(0.2)
<b>Non-GAAP Operating Income</b>	<b>\$7.5</b>	<b>\$11.3</b>

In millions (except per share amounts)	Q4 17	Q1 18
GAAP Basic EPS	(0.18)	(0.34)
GAAP Diluted EPS	(0.18)	(0.34)
GAAP Net Income (Loss)	(8.5)	(15.8)
Add: Share-Based Comp	4.4	4.5
Add: Amortization	13.8	13.5
Add: Restructuring	2.1	2.5
Add: Acquisition Related	1.5	1.3
Add: Release of inventory fair value step-up for purchase accounting	0.4	0.5
Add: Depreciation of PP&E fair value step-up for purchase accounting	0.3	0.3
Add: Non-Cash Interest Expense	2.8	2.9
Add: Tax Adjustment from GAAP to Non-GAAP	(10.6)	(0.5)
<b>Non-GAAP Net Income (Loss)</b>	<b>6.2</b>	<b>9.2</b>
Non-GAAP Basic EPS	0.13	0.20
Non-GAAP Diluted EPS	0.13	0.20

Note: Amounts may not calculate precisely due to rounding. Prior period results have been recast to reflect the retrospective adoption of ASC 606.

# Q1 2018 GAAP to Non-GAAP Reconciliation

In millions (except per share amounts)	GAAP	Non-GAAP Adjustments			Non-GAAP
		Share-Based Compensation	Amortization	Other	
Net Sales	\$158.6				\$158.6
Gross Profit	56.7	0.6		0.6	57.8
Gross Margin	35.7%				36.5%
Research and Development	24.3	(1.0)			23.4
Selling, General, and Administrative and Other	26.2	(2.9)		(0.2)	23.2
Net Income (Loss)	\$(15.8)	4.5	13.5	(7.0)	\$9.2
<b>Income (Loss) Per Common Share:</b>					
Basic	\$(0.34)				\$0.20
Diluted	(0.34)				0.20
<b>Weighted Average Number of Shares:</b>					
Basic	47.0				47.0
Diluted	47.0				47.2
<b>Other Non-GAAP Adjustments</b>					
Restructuring					2.5
Acquisition Related					1.3
Release of inventory fair value step-up associated with the Ultratech purchase accounting					0.5
Depreciation of PP&E fair value step-up associated with the Ultratech purchase accounting					0.3
Non-Cash Interest Expense					2.9
Non-GAAP Tax Adjustment					(0.5)
<b>Total Other</b>					<b>(7.0)</b>

Note: Amounts may not calculate precisely due to rounding

# Q2 2018 Guidance GAAP to Non-GAAP Reconciliation

In millions (except per share amounts)	GAAP	Non-GAAP Adjustments			Non-GAAP
		Share-Based Compensation	Amortization	Other	
Net Sales	\$145–\$170				\$145–\$170
Gross Profit	47–58	1	—	—	48–59
Gross Margin	33%–35%				33%–35%
Net Income (Loss)	\$(21)–\$(12)	4	14	4	\$1–\$10
Income (Loss) per Diluted Share	\$(0.45)–\$(0.26)				\$0.01–\$0.20

GAAP Net Income (Loss)	\$(21)–\$(12)
Share-Based Compensation	4
Amortization	14
Restructuring	1
Acquisition Related Expense	1
Interest Expense	5
Income Tax Expense (Benefit)	(2)
Non-GAAP Operating Income	\$2–\$11

Note: Amounts may not calculate precisely due to rounding

# 2017 Recast Historical Financials Under ASC 606

Q1 2017			
In millions (except per share amounts)	As reported	Adjustments	As adjusted
Net Sales	\$94.4	\$0.1	\$94.5
Cost of sales	60.2	(0.2)	60.0
Income tax expense (benefit)	(10.3)	(0.2)	(10.5)
Net Income (loss)	1.1	0.5	1.6
Diluted earnings (loss) per share	\$0.03	\$0.01	\$0.04

Q2 2017			
In millions (except per share amounts)	As reported	Adjustments	As adjusted
Net Sales	\$115.1	\$(2.8)	\$112.2
Cost of sales	76.3	-	76.4
Income tax expense (benefit)	(12.9)	(0.4)	(13.3)
Net Income (loss)	(18.4)	(2.4)	(20.8)
Diluted earnings (loss) per share	\$(0.43)	\$(0.06)	\$(0.49)

Q3 2017			
In millions (except per share amounts)	As reported	Adjustments	As adjusted
Net Sales	\$131.9	\$(2.6)	\$129.3
Cost of sales	78.8	-	78.8
Income tax expense (benefit)	(1.8)	(0.7)	(2.5)
Net Income (loss)	(21.9)	(1.9)	(23.7)
Diluted earnings (loss) per share	\$(0.47)	\$(0.04)	\$(0.51)

Q4 2017			
In millions (except per share amounts)	As reported	Adjustments	As adjusted
Net Sales	\$143.4	\$(3.8)	\$139.7
Cost of sales	85.1	(0.8)	84.3
Income tax expense (benefit)	(11.1)	(0.1)	(11.3)
Net Income (loss)	(5.6)	(2.9)	(8.5)
Diluted earnings (loss) per share	\$(0.12)	\$(0.06)	\$(0.18)

Sales by Market					
In millions	Q1 '17	Q2 '17	Q3 '17	Q4 '17	CY 2017
Advanced Packaging, MEMS & RF Filters	\$10.9	\$21.8	\$21.5	\$13.2	\$67.4
LED Lighting, Display & Compound Semi	55.2	54.3	57.6	81.5	248.6
Front-End Semiconductor	1.2	10.3	16.3	12.6	40.3
Scientific & Industrial	27.3	25.8	33.9	32.4	119.3
<b>Total Sales</b>	<b>\$94.5</b>	<b>\$112.2</b>	<b>\$129.3</b>	<b>\$139.7</b>	<b>\$475.7</b>

Note: Amounts may not calculate precisely due to rounding. Prior period results have been recast to reflect the retrospective adoption of ASC 606.

